

Congress of the United States
Washington, DC 20515

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September 7, 2017

The Honorable Ajit Pai, Chairman
Federal Communications Commission
445 12th St SW
Washington, DC 20554

Re: Moving the Universal Service Fund to Department of Treasury

Dear Chairman Pai:

As you know, Congress codified the Universal Service Fund (USF) in Section 254 of the Telecommunications Act of 1996. The USF was created with bipartisan support to provide universal access to telecommunications in the United States. The USF is important to communities across the country and plays a key role in helping rural communities bridge the digital divide. It provides access to telemedicine in rural areas through increased connectivity (Rural Health Care Program), phone and broadband services for low-income Americans (Lifeline Program), discounts to schools and libraries (E-Rate Program), and funding to companies working to maintain and expand broadband infrastructure in underserved or unserved areas (Connect America Fund). The funds are generated by telecommunications providers who pay a quarterly fee and are overseen by the Universal Service Administrative Company (USAC). Telecommunications providers generate this fee for the specific purpose of increasing access to telecommunications services for underserved populations, not to pay down the federal debt. The USF plays a vital role in providing essential services to the nation, and must remain outside of the Department of Treasury (Treasury) to ensure the funds continue to be used for their congressional intent.

As you are aware, the Government Accountability Office (GAO) made recommendations in a May 2017 report GAO-17-538 (Report) to move the USF from the USAC to the Department of Treasury. We strongly oppose these proposals and ask that you reject them outright. Among other issues, this report's data does not reflect Lifeline's 2016 reforms and will have adverse effects to other programs which rely on the USF, such as the Connect America Fund. Moving the USF to Treasury would harm our constituents, and would be contrary to the congressional intent of the USF.

The recommendation in the GAO's report to move the USF to Treasury was specific to the Lifeline Program. It is unclear if the adverse effects this move will have on the other programs that utilize the USF, such as the Connect America Fund, were considered when the suggestion was made. Currently, there are two federal programs directed to fund broadband in rural areas: the Rural Utilities Service (RUS) program at the U.S. Department of Agriculture and the Connect America Fund through USF. The USF funded Connect America Fund is important because it does not rely on the yearly appropriations process for funding, making it a reliable and stable source for rural broadband. Moreover, the Connect America Fund provides ongoing subsidies to maintain broadband networks unlike the RUS, which distributes upfront capital to build broadband infrastructure. According to the FCC's 2016 Broadband Progress Report, approximately 24 million people living in rural communities lack the network infrastructure necessary to provide reliable broadband. Moving the USF to Treasury risks the only federal program directed to maintain rural broadband being zeroed out and having adverse effects on the overall livelihood of these communities.

Started under the Reagan Administration in 1985, the FCC's Lifeline Program provides discount phone and broadband service for low-income consumers in all states, territories, and Tribal Lands. Lifeline crosses all demographics and areas of the country, and has always had bipartisan support. In 2005, the program was updated to provide consumers the option between landline and a wireless device. In 2016, Lifeline was expanded to provide consumers the option between standalone mobile, fixed broadband, and combined bundles of voice and broadband. According to the USAC, over 39 million people in the country are eligible for Lifeline, including a disproportionate number of minorities, veterans, and households with children 17 years or younger.

In its May 2017 report, the GAO recommends moving the USF to Treasury in an effort to reduce risks of fraud and abuse in the Lifeline program. The report uses data from 2012-2014, a period before the 2016 FCC reforms to the Lifeline Program were implemented. Therefore, this analysis does not account for the most recent changes to prevent fraud.

We do not condone waste or abuse in any program. However, there are other options to pursue the goal of reform without resorting to transferring the USF to Treasury. The FCC has already begun implementation of its *2016 Lifeline Modernization Order*, which outlines modernizing reforms to reduce fraud. One of the initiatives in the order directs USAC to develop a National Lifeline Eligibility Verifier (National Verifier) to determine subscriber eligibility. Under the 2016 Order, service providers would also be responsible for recertifying subscribers within a 12 month time period.

As FCC Chairman, you have stated your intention to "bring the benefits of the digital age to all Americans." If closing the digital divide is your goal, moving the USF to Treasury is a step in the wrong direction. Based on the congressional intent of the USF, your goal to bring the digital age to all Americans, and the recently issued and implemented *2016 Lifeline Modernization Order*, we request that the USF remain at USAC for the well-being of programs such as the Connect America Fund and to continue to build off of the *2016 Lifeline Modernization Order* to combat

abuse. Thank you for your thoughtful consideration of this request and we look forward to your response.



KEITH ELLISON
Member of Congress

Sincerely,



STEVE PEARCE
Member of Congress



MICHELLE LUJAN GRISHAM
Member of Congress



GWEN MOORE
Member of Congress



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

April 12, 2018

The Honorable Gwen Moore
U.S. House of Representatives
2252 Rayburn House Office Building
Washington, D.C. 20515

Dear Congresswoman Moore:


Thank you for your letter concerning the management of the Universal Service Fund. I am fully committed to bridging the digital divide, and the Fund is an essential component of our strategy for accomplishing that goal. From our decision earlier this year to invest another \$500 million to aid small carriers deploying broadband in their communities to our decision last week to increase funding available in Tribal areas to our upcoming \$2 billion Connect America Fund Phase II auction, the Commission and the Fund have been making a real impact in rural America.

You write about the Commission's decision to move Fund monies from a private account to the U.S. Treasury. We are doing so for the simple reason that we must take all appropriate measures to secure the integrity of the USF's funding source and avoid any unnecessary risks to the program. Last year, the Government Accountability Office found that the agency's historical banking practices for the Fund resulted in unnecessary oversight and accountability risks—risks that needlessly endangered the integrity of the Fund. In that same report (GAO-17-538), the GAO pointed to its finding from 2005 that universal service funds are federal funds that legally belong in the U.S. Treasury, not a private bank, consistent with federal law's requirements (such as the Miscellaneous Receipts Act, 31 U.S.C. § 3302).

To be clear, the GAO's recommendation was in no way limited to the Lifeline program, and recent changes to that program (such as the National Verifier) do not in any way address the financial management risks identified by GAO regarding agency banking practices. And despite any suggestion to the contrary, moving the accounts to the U.S. Treasury will not allow Fund monies to be used for any purpose other than supporting the universal deployment of voice and broadband services.

I am pleased that we are making progress in effectuating the transfer to Treasury supported by GAO throughout the past decade and I look forward to completing this task in the near future. Please let me know if I can be of any further assistance.

Sincerely,



Ajit V. Pai



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

April 12, 2018

The Honorable Keith Ellison
U.S. House of Representatives
2263 Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Ellison:

Thank you for your letter concerning the management of the Universal Service Fund. I am fully committed to bridging the digital divide, and the Fund is an essential component of our strategy for accomplishing that goal. From our decision earlier this year to invest another \$500 million to aid small carriers deploying broadband in their communities to our decision last week to increase funding available in Tribal areas to our upcoming \$2 billion Connect America Fund Phase II auction, the Commission and the Fund have been making a real impact in rural America.

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Sincerely,

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Ajit V. Pai



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

April 12, 2018

The Honorable Michelle Lujan Grisham
U.S. House of Representatives
214 Cannon House Office Building
Washington, D.C. 20515

Dear Congresswoman Lujan Grisham:

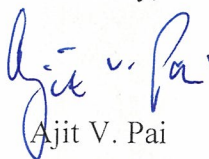
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Sincerely,



Ajit V. Pai



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

April 12, 2018

The Honorable Steve Pearce
U.S. House of Representatives
2432 Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Pearce:

Thank you for your letter concerning the management of the Universal Service Fund. I am fully committed to bridging the digital divide, and the Fund is an essential component of our strategy for accomplishing that goal. From our decision earlier this year to invest another \$500 million to aid small carriers deploying broadband in their communities to our decision last week to increase funding available in Tribal areas to our upcoming \$2 billion Connect America Fund Phase II auction, the Commission and the Fund have been making a real impact in rural America.

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Ajit V. Pai